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Chairman: Mr. OSELLA (Argentina)
(Vice-Chairman)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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In the absence of Mr. Hadid (Algeria), Mr. Osella (Argentina), Vice-Chairman, took the Chair.

The meeting was called to order at 3.25 a.m.

AGENDA ITEM 121: REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS (continued) (A/48/16 (Part I and Part II), A/48/277, A/48/281, A/48/428 and A/48/452)

1. Mr. TEIRLINCK (Belgium), speaking on behalf of the European Union, said that the efficient administration of the Organization was a sine qua non for the accomplishment of the aims set forth in the Charter. In that connection, the report of the Secretary-General on the restructuring and efficiency of the Secretariat (A/48/428) did not fully cover all the measures that had been taken towards that end. A careful reading of the Secretary-General's report "An Agenda for Peace" was essential for a proper understanding of the major changes which had been introduced into the structure and operations of the Organization. In his report on the work of the Organization (A/48/1), the Secretary-General had pointed out that the second generation of peace-keeping was certain to involve not only military but also political, economic, social, humanitarian and environmental dimensions, all in need of a unified and integrated approach. For its part, the preamble to resolution 47/120 stressed the need for international action to strengthen the socio-economic development of Member States as one of the means of enhancing international peace and security, and, in that regard, recognized the need to complement "An Agenda for Peace" with "An Agenda for Development". The European Union looked forward to the preliminary report of the Secretary-General on that subject during the current session of the General Assembly.

2. While the European Union had a positive attitude towards the proposals of the Secretary-General and recognized his responsibilities as the Chief Administrative Officer of the United Nations, it wished nevertheless to reaffirm the authority of the General Assembly. In its resolution 46/232, the General Assembly had issued guidelines to the Secretary-General for the implementation of the restructuring exercise, particularly with regard to the rationalization of the Secretariat's structure to enable more efficient supervision and control by the Secretary-General and to avoid duplication.

3. The European Union accepted the broad lines of the restructuring exercise but regretted the absence of any study of the impact of restructuring, especially the new configuration of organizational units that would result. The various reports on restructuring contained only lists of measures already taken and known to Member States.

4. On the question of the Office for Project Services (OPS), it was important to note that the transfer envisaged did not affect the efficiency of that Office. In view of the number of important questions still to be resolved, however, the transfer could perhaps be deferred. The Office for Project Services was very vulnerable to market forces and the modalities of its future operations must not be determined for the sole purpose of meeting fixed deadlines.

(Mr. Teirlinck, Belgium)

5. The European Union was also concerned about the question of decentralization, and more particularly the devolution of activities to the regional economic commissions. Although such decentralization was one of the key aspects of the restructuring of the economic and social sectors of the Secretariat, the increase in the commissions' functions and the expansion of their responsibilities had not been clearly defined either in the report of the Secretary-General on the restructuring and efficiency of the Secretariat (A/48/428) or in the proposed programme budget for the biennium 1994-1995 (A/48/6). Moreover, the details of the new division of tasks and corresponding reallocation of resources were still being discussed by the relevant parts of the Secretariat and his delegation looked forward to learning of the outcome of those consultations before the consideration of the budget proposals for the regional commissions. It would be useful, at any rate, to undertake a critical review of the activities of the regional economic commissions before transferring resources to them. Moreover, the advantages of such decentralization had not been identified, despite the request to that effect contained in section III, paragraph 5, of resolution 47/212. A report on the question should therefore be submitted as early as possible during the current session.

6. His delegation also noted that the restructuring exercise had disrupted a number of services, which had in turn created a certain malaise among staff. He hoped that the disruption would be temporary. He would also be grateful if the Secretary-General could provide the General Assembly with the information requested in section II of resolution 47/212 on the revisions in the programme budget for the biennium 1992-1993 associated with the restructuring process. Lastly, he regretted that the Secretariat had so far failed to submit the report on all issues related to the creation, suppression, reclassification and redeployment of posts, as requested by the General Assembly in resolution 47/212.

AGENDA ITEM 126: PATTERN OF CONFERENCES (continued) (A/48/32/Rev.1 and Add.1 and Add.2; A/C.5/48/1)

7. Mr. ZAHID (Morocco) said that, at a time when the expanding activities of the Organization led to increasing demand for conference services, it was essential to make the most rational use of such services. The responsibility for achieving such rationalization was shared by the Secretariat and Member States, and more particularly, by the Office of Conference Services and the Committee on Conferences. In that connection, the report of the Committee on Conferences (A/48/32) was the fruit of the joint efforts of the Secretariat and Member States to make more efficient use and enhance the quality of conference services.

8. He noted that the Committee on Conferences had recommended adoption of the draft calendar of conferences and meetings for 1994-1995, subject to the recommendations set out in paragraph 11 of its report, concerning exceptions to the general principle requiring United Nations bodies to meet at their respective established headquarters. The anomaly which existed in respect of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) should be dealt with at the current session of the General Assembly in light of the

(Mr. Zahid, Morocco)

discussions which had taken place in the Committee on Conferences and any clarifications which the Secretariat might provide.

9. Morocco supported the proposal of the Committee on Conferences that the draft calendar of conferences should be modified to take account of the decision of the Committee on the Peaceful Uses of Outer Space to hold all of its meetings in 1994 at Vienna and to determine the meeting place of the Legal Sub-Committee in light of the decisions of the 1994 session.

10. On the subject of the more efficient use of conference services, the Committee on Conferences had recommended that the General Assembly should invite those organs whose rate of utilization over the previous three years had been lower than the benchmark figure set by the General Assembly to review their conference-servicing needs. It had also decided to raise the benchmark figure to 80 per cent. His delegation hoped that those measures would contribute to the more efficient and rational use of the conference-servicing resources allocated to the various organs.

11. The Committee on Conferences had also considered the question of the control and limitation of documentation and had paid particular attention to the preparation of summary records and compliance with the six-week rule for the issuance of pre-session documentation. In its conclusions and recommendations, the Committee on Conferences had noted that there was a close link between documents processing and the effective management of meetings.

12. Documentation needs, in his view, must be reviewed and the Office of Conference Services provided with the necessary human and material resources. In that connection, the introduction and utilization of new technologies should help to respond to the growing need for efficient and timely documentation and conference services.

13. His delegation shared the concern expressed about the inadequacy of the resources allocated to the Office of Conference Services at a time when its workload was being significantly increased. To respond to that increase, the Committee on Conferences had proposed a number of measures, including the conversion of certain temporary posts into permanent posts, the allocation of additional resources and the possible transfer to the Office of Conference Services of the staff responsible for the preparation of press releases who could also be assigned the task of preparing summary records.

14. If adopted, those measures should reduce the delays in the issuance of documents and improve the quality of services provided to Member States, which remained the principal objectives of the Secretariat and of Member States.

15. Ms. JONSDOTTIR-WARD (Iceland), speaking on behalf of the five Nordic countries, said that conferences and documentation were an integral part of the Organization's method of work and the cost of conference and library services accounted for one fifth of the regular budget. In the current financial situation, any additional resources allocated to conference servicing would most likely be taken away from programme implementation. It was therefore critical to ensure that the conference-servicing resources allocated were efficiently utilized. The Nordic countries supported the recommendation of the Committee on

(Ms. Jonsdottir-Ward, Iceland)

Conferences to continue to monitor the performance of the Office of Conference Services in compliance with resolution 47/202 C.

16. In its report (A/48/32), the Committee on Conferences agreed that, on the whole, the Office of Conference Services had been functioning within its terms of reference. None the less, the terms of reference were less comprehensive than those envisaged by the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations. Her delegation agreed that the Committee on Conferences should concentrate its efforts on playing more of an informational role vis-à-vis the subsidiary organs, providing clear directives to the Secretariat and setting standards. It also found the proposals of the Committee on Conferences regarding measures to improve overall efficiency and effectiveness in the use of conference-servicing resources to be interesting and looked forward to a substantive discussion of those proposals at the forty-ninth session of the General Assembly.

17. In order to ensure greater accuracy in forecasting the number of meetings and the services needed, the Nordic countries supported the decision of the Committee on Conferences to request the Secretariat to develop a notional cost per hour of meeting time which would include all the services involved. Despite the welcome trend towards the more effective utilization of conference services, further improvements were needed and her delegation supported the recommendation of the Committee on Conferences that the benchmark figure for the minimum utilization of conference-servicing resources should be raised to 80 per cent and that those bodies whose utilization factor was below the benchmark figure for three sessions should be invited to review and revise, if necessary, the amount of conference-servicing resources requested.

18. The Nordic countries supported the recommendation of the Committee on Conferences to request the Economic and Social Council to resume its consideration of the question of biennialization. They also shared the concerns of the Committee on Conferences regarding the increased number of requests by subsidiary organs for exceptions to the biennialization of their sessions, especially when such requests did not result in shorter sessions.

19. The calendar of conferences and meetings should reflect the priorities and activities of the Organization and should be adjusted only with the authorization of the Committee on Conferences. In view of the significant increase in the workload of the Security Council and its subsidiary bodies, the inadequacy of the resources allocated to the Office of Conference Services was a matter of concern.

20. She took note of the concern expressed by the Committee on Conferences at the continued application of economy measures in the area of conference servicing, especially at Geneva. The impact of those measures had been particularly negative on the Centre for Human Rights and should be lifted immediately.

21. She wished to urge all organs of the United Nations to respect the limits set on documentation and all Member States to use with restraint their right to circulate communications as official documents. In addition, documents should

(Ms. Jonsdottir-Ward, Iceland)

be written concisely and a critical review should be undertaken of the entitlement of various bodies to summary records, which should be reduced to the bare minimum.

22. The Nordic countries shared the concern expressed by various delegations about the late submission of documentation, as a result of which the work programme of the current session of the General Assembly had been seriously impaired. That problem, however, was attributable not only to the increased workload and the inadequate resources of the Office of Conference Services, but also to late submission by author departments. Greater accountability was required of those responsible for documentation. She concurred with the request of the Committee on Conferences that the Office of Conference Services should identify incentives to ensure compliance by substantive departments with the 10-week rule and should report to the forty-ninth session of the General Assembly on the measures taken and the impact of the implementation of that rule.

23. Finally, the Nordic countries welcomed the improved level of coordination within the United Nations system and related agencies and the agreement reached for a systematic exchange of information and language staff within the system. They looked forward to continued discussion on the effective utilization and coordination of conference staff and services, including the application of new technology, and to the report of the Administrative Committee on Coordination (ACC) to the fiftieth session of the General Assembly on the results.

24. Mr. BARIMANI (Chairman of the Committee on Conferences) said that he was grateful for the support expressed for the manner in which the Committee had sought to carry out its mandate, and in particular for the favourable reaction to its decision to raise the benchmark figure for utilization of conference-servicing resources to 80 per cent. That measure, together with the proposal of 22 measures to ensure the optimum utilization of conference services, was an example of the new direction for setting standards and heightening awareness. The Committee on Conferences would spare no effort in seeking further ways of improving the utilization of conference-servicing resources.

25. With regard to the concerns expressed about the timely submission of documentation, the Committee on Conferences proposed to focus on that question in 1994 and would also consider supplementary information in the report on the six-week rule to be prepared by the Secretariat.

26. Responding to the question on the change in the name of the sub-item entitled "Existing conference resources, services and facilities within the United Nations", he said that the Committee on Conferences would simply consider the sub-item in question under another heading, which would not imply any change in the way the Committee discharged its mandate.

27. He was also gratified by the broad support expressed for the call of the Committee on Conferences for the lifting of the existing economy measures. Delegations clearly recognized the vital importance of the provision of adequate conference, human and material resources in light of the Organization's increasing workload.

28. Mrs. CESTAC (Director of the Office of Conference Services) said that the interest shown by delegations in the activities of the Office of Conference Services was indicative of the importance which they attached to conference-servicing resources.

29. Responding to the concern expressed by certain delegations over the fact that an addendum to the report of the Committee on Conferences (A/48/32/Rev.1/Add.2) had been issued to the Fifth Committee without first being reviewed by the Committee on Conferences, she pointed out that the addendum in question drew attention to a number of late changes to the draft calendar of conferences and meetings for 1994 and contained the additions to the calendar rendered necessary by the establishment just previously of the Security Council Committee established pursuant to resolution 864 (1993) concerning Angola. Nevertheless, she agreed that the presentation of the information in an addendum which had not been submitted to the Committee on Conferences owing to the lack of time constituted a breach of procedure. At the 1994 organizational session of the Committee on Conferences, the Secretariat and the Bureau of the Committee on Conferences would together examine ways in which such information could be presented in future.

30. Several delegations had raised questions concerning the coordination of work between the Office of Conference Services and the other organs of the Secretariat. Her Office attached great importance to such coordination, which was a daily reality in the planning of meetings and documentation. Such coordination was also evident in the Secretariat's "pedagogical" role in reminding delegations of the notional cost of one hour of meeting time and of one page of a document. The Secretaries of each organ had been thus reminded, first by letter, and subsequently in document A/AC.172/INF.15. In the final analysis, however, it was for the Chairman of each organ to issue such reminders.

31. On the question of documentation, almost all the delegations which had spoken had raised the problem of the non-compliance with the six-week rule. A detailed report on the reasons why the Office of Conference Services frequently found it impossible to observe that rule would be submitted to the Committee on Conferences in 1994. She would merely note at the current stage that, by recommending the elaboration of measures to encourage submitting departments to respect the 10-week rule, the Committee on Conferences had clearly indicated that a solution to that problem had to be sought within the Secretariat.

32. The question of the quality of translations had also been raised. She would not deny that the need to process an increasing volume of work, with resources that were not keeping pace with that increase, and very often under the constraint of much shorter deadlines than the theoretical four weeks, occasionally affected the quality of output. It was precisely in the area of quality that the Office of Conference Services hoped to gain most from the introduction of technological innovations. By providing translators with integrated workstations, such innovations would speed up the research which they were required to undertake, thereby permitting them to devote more time to the activity of translation itself.

33. On the subject of meetings, attention had been drawn to the need to service meetings, particularly the informal meetings of regional groups, for which no

(Mrs. Cestac)

provision had been made on the calendar of conferences and meetings. While she was fully cognizant of the importance of such meetings, interpretation services could be assured only by reallocating the resources which had been set aside for those meetings provided for in the calendar of conferences and meetings. The economy measures, although they had been relaxed somewhat, had left her Office with very little margin for manoeuvre. She noted with interest the suggestion by one delegation that debates could be shortened by including in the summary or verbatim records written and more detailed statements than those actually delivered in the meeting. The impact of the application of such a procedure deserved further study.

34. Another delegation had raised the question of training. Her Office had a very active training programme for its language staff, who systematically received additional training after their recruitment. Language training courses organized with the collaboration of Member States had been found to be very useful and, with the prospect of the introduction of technological innovations, a considerable increase in training requirements was anticipated. The Office of Conference Services would discuss with the unit concerned the question of the preparation of summary records by the staff who currently prepared press releases and report on the matter to the Committee on Conferences.

AGENDA ITEM 120: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/48/5/Add.4 and Add.5, A/48/230, A/48/516, A/48/530, A/48/572 and A/48/587)

35. Mr. AYEWAH (Nigeria) said that the findings of the Board of Auditors had fallen short of the expectations of Member States, which had called on executive heads and programme managers to endeavour to restore accountability and prudent financial management in the United Nations.

36. In the audit opinion contained in its report on the financial report and audited financial statements of the United Nations Institute for Training and Research (UNITAR) (A/48/5/Add.4) the Board noted that there had been expenditures in excess of paid-in contributions and other available resources. Nigeria agreed with the corresponding recommendation made by the Board in paragraph 9 (a), but felt that the time had come to fund some UNITAR activities from the United Nations regular budget. Since UNITAR served almost exclusively the United Nations, the Board was right to recommend in paragraph 29 that the issue of charging UNITAR rental fees for premises at Geneva should be resolved. The recommendation contained in paragraph 38 concerning periodic monitoring of charges to projects was also welcome.

37. Nigeria was again disappointed with the Board's findings on the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR) set out in its report on the relevant audited financial statements (A/48/5/Add.5) and it supported most of the Board's recommendations. It regretted to note from paragraphs 28 to 32 that some collected pledges had not been properly recorded and that delay in the payment of pledges was due to the delay in the submission of project monitoring reports by UNHCR. The Board had also noted a serious disregard of procedures for the receipt of goods. The recommendations contained in subparagraphs 9 (a), (i) and (k) were therefore welcome. Equally welcome was the recommendation in paragraph 65 concerning the

(Mr. Ayewah, Nigeria)

computerization of UNHCR. The Board was right to recommend that UNHCR should encourage competitive bidding for the supply of regular items. It should also try to make purchases locally when possible.

38. Nigeria commended the Secretary-General on his report on implementation of the recommendations of the Board of Auditors (A/48/516) and urged him to ensure that the recommendations were in fact fully implemented. The action described in paragraph 7 of the Secretary-General's report on recovery of misappropriated funds from staff members and former staff members (A/48/572) was also welcome. The proposal contained in paragraph 26 of the report that the Administrative Tribunal of the United Nations should be given jurisdiction over claims by the Organization against staff members should certainly be looked into, for any measure to eliminate malpractice deserved support.

39. The draft common accounting standards described in the report of the Secretary-General (A/48/530) were welcome because a standardized system would ensure consistency and transparency in financial transactions.

40. Mr. SALAMAT (Islamic Republic of Iran) noted that UNITAR had made expenditures in contravention of the regulations and that, General Assembly resolution 47/227 notwithstanding, it had continued to draw on the United Nations General Fund. The Secretary-General should keep the issue under review and report on it to the General Assembly at its next session. Action to correct the continuing deterioration in the liquidity of the UNITAR General Fund should be taken promptly.

41. According to the High Commissioner for Refugees, Iran had the largest refugee population in the world, and it appreciated the activities of UNHCR. However, Iran supported the Board's recommendation that UNHCR should review its system for allocating funds to projects in order to eliminate overbudgeting and ensure a more effective distribution of resources. The Secretary-General and the High Commissioner should do everything possible to eliminate delays in project implementation due to administrative failings and lack of coordination.

42. While Iran welcomed the efforts of the Secretariat to carry out the Board's recommendations, it was regrettable that the recommendations concerning procurement, non-expendable property, exceptions to competitive bidding, and use of consultants had not been fully implemented. In particular, efforts must be made to hire the consultants best qualified for the specific assignment, and measures should be introduced to tighten the control of non-expendable property, including property used in peace-keeping operations.

43. The draft common accounting standards submitted to the Committee represented a step forward in improving the efficiency of the United Nations system and they should be adopted without delay.

44. Ms. MILLS (Deputy Controller) said that some of the matters raised by delegations with respect to the report of the Board of Auditors on UNITAR were addressed in a report of the Secretary-General on training and research (A/48/574). With regard to loans made to UNITAR from the United Nations General Fund without budgetary authority, it was apparent from the resolutions adopted each year by the General Assembly that it wished UNITAR to continue in operation

(Ms. Mills)

pending a solution to its financial difficulties. In the circumstances the Secretariat had an obligation to meet the UNITAR payroll and certain other operational expenditures. With the adoption of resolution 47/227 and the phasing out of the UNITAR New York office, there was no intention to make any further unauthorized advances to the Institute. A number of delegations had asked about the designation of a liaison officer for training and research activities in New York, as requested in paragraph 2 of resolution 47/227. The Chief of the Training Service in the Office of Human Resources Management had been designated liaison officer for that purpose.

45. With regard to safeguards against unauthorized drawings from the UNITAR General Fund, whenever the resources of the General Fund had been temporarily used to meet expenditures for any extrabudgetary account, full settlement had been made on a monthly basis. Internal financial reports on every trust fund were prepared monthly, and action was taken to correct the problems of any fund which was in difficulties. The internal controls for trust funds were adequate.

46. With regard to the implementation of the recommendations of the Board of Auditors, the response of the United Nations Development Programme (UNDP) to the General Assembly's requests had been submitted to the UNDP Governing Council in mid-1993, and the response of the United Nations Children's Fund (UNICEF) had been submitted to the UNICEF Executive Board and to the Board of Auditors and ACABQ. With regard to the Secretary-General's report on the subject (A/48/516), the statistics contained in paragraph 12 on the number of contracts entered into without competitive bidding related to the biennium 1990-1991 and the calendar year 1992 and to contracts with a value of more than $20,000. In response to the concerns expressed in the Committee at the previous session, a computerized database had been established to capture information on all contracts with a value of $70,000 or more. The Committee on Contracts was aware of the General Assembly's concern and exercised particular care in reviewing proposals to enter into contracts without competitive bidding.

47. The increase in the volume of contracts was directly related to the expansion of peace-keeping operations. Approximately 78 per cent of the contracts submitted to the Committee on Contracts from the beginning of January to the end of September 1993 had related to peace-keeping operations. For that same period, 51.3 per cent of contracts for $70,000 or more had been awarded after competitive bidding, and 48.7 per cent had been awarded without bidding under the provisions of financial rule 110.19. Furthermore, the 18.9 per cent of contracts awarded through the issue of letters of assist to Member States all related to peace-keeping operations. Competitive bidding was not appropriate in such cases. Only 7.6 per cent of contracts over $70,000 had been awarded under the category of exigency without competitive bidding. The Secretariat recognized that some changes might be warranted in the financial rules concerning procurement. The matter was under review and the General Assembly would be informed of the outcome.

48. One delegation had requested information on measures taken to strengthen the independence and effectiveness of the internal audit function. The matter was addressed in paragraph 8 of the annex to the Secretary-General's report, and further information could be provided if necessary. The Secretariat had also noted the comments on the recovery of misappropriated funds and it could provide

(Ms. Mills)

additional information during the informal consultations. As far as the United Nations was concerned, use would be made of the common accounting standards in the preparation of the financial statements for the period ending 31 December 1993.

49. Several delegation had raised questions concerning the Secretary-General's report on independent audits and management reviews of activities of the United Nations system (A/48/587). Since 1986, approximately $16.8 million of proposed voluntary contributions had been refused because of the unacceptable conditions attached to them; some $15.4 million of that total related to contributions offered since 1990. There had been a large number of cases in which donors had withdrawn conditions attached to voluntary contributions following explanation by the Secretariat as to why they were incompatible with the Financial Regulations.

50. Mr. PETERS (Office of the United Nations High Commissioner for Refugees) said that since the 1989 financial crisis UNHCR had placed strong emphasis on improving the financial management and control of its programmes. In the intervening period annual expenditures had almost tripled, and there had been significant changes in the types of activity undertaken. Basic structural changes had been made at UNHCR headquarters; in particular, the former Controller's Division had been divided into two strengthened divisions: the Division for Programme and Operational Support and the Division of the Controller and Management Services.

51. UNHCR had responded to the issues raised by both the internal and external auditors, and its 1992 accounts had received audit approval. It was in basic agreement with the findings of the 1992 audit reports and had taken action in the key areas identified as requiring follow-up. That had involved: a complete review of financial systems and procedures; establishment of a programme for strengthening administrative and financial personnel in field offices; a review of the procedures for selection and management of implementation partners; establishment of procedures for the timely and effective closure of projects; assessment of whether the Integrated Management Information System (IMIS) would meet the future needs of UNHCR; implementation of the findings of the UNHCR Working Group on Programme Management and Operational Capacity; revision of the guidelines for the management of non-expendable property; and continuing activities to strengthen procurement procedures. UNHCR was also working with the Assistant Secretary-General for Inspections and Investigations to establish an audit strategy for 1994 and strengthen the capacity of its internal audit section.

52. The points raised by delegations which had not already been addressed would be acted upon promptly. With regard to the concern expressed about the inadequate reporting to one major donor which had resulted in damaging postponement of the collection of funds, the reporting unit concerned had been strengthened and measures had been agreed upon with the donor to avoid any further postponements. With regard to compliance with resolution 47/211, UNHCR now examined the reports of the Board of Auditors in order to establish which problems were specific to a particular office and which were symptomatic of a general problem. A detailed response to each recommendation was to be included in the following year's report. The responses to the 1992 report would be

(Mr. Peters)

submitted to the Board for inclusion in its 1993 report and for discussion in the UNHCR Executive Committee on Administrative and Financial Matters.

53. Mr. PREMPEH (Chairman of the Board of Auditors) said that the Board of Auditors shared the concern expressed over implementation of its recommendations. The recurrent irregularities it had identified suggested that further efforts were needed to address deficiencies. The Board would request organizations to indicate the status of implementation as at 31 December 1993 of its prior recommendations, and would report thereon at the forty-ninth session.

54. The Board shared the conviction that competitive bidding in procurement offered the most appropriate means of using funds effectively, and noted the positive reaction to the development of common accounting standards for the United Nations system and the concern to implement them as quickly as possible.

55. Regarding the need for improvement in oversight mechanisms, the Board welcomed the creation of the Office for Inspections and Investigations, and offered its support for further improvements in that area. However, the Organization also required effective independent external auditors, with a clear separation between external and internal audit functions.

56. Lastly, the Fifth Committee might wish to consider the practical difficulties caused by the lack of synchronization between the three-year term of members of the Board of Auditors and the biennial fiscal period.

AGENDA ITEM 124: IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS (continued) (A/48/460 and Corr.1, A/48/503 and Add.1, A/48/565 and Corr.1)

57. Mr. CHUINKAM (Cameroon) said that Member States had made unceasing demands of the United Nations, which now faced the critical problem of establishing a financial structure that would enable it to execute its activities. Responsibility for finding a solution lay with Member States.

58. As noted by the Independent Advisory Group on United Nations Financing, the question of United Nations financing was important because it was part of the broader debate on how to build a lawful and just world order. The fact that the Organization had been created not only to mediate international disputes but also to promote peace, human rights and social and economic progress meant that the search for ways to improve its financial situation must include consideration of the root causes of Member States' inability to pay their dues. Very few of the Member States which had breached the Charter by failing to fulfil their financial obligations to the Organization had deliberately withheld their assessed contributions. In fact they had had no choice. The time had thus come for an end to insistence on the need for Member States to pay in full and on time without consideration of whether they were able to do so.

59. Most developing countries and transition economies were facing unprecedented economic crises. A number of elements in the global economic system were inimical to their interests and must be addressed. Most developing countries could no longer even provide their citizens with basic amenities.

(Mr. Chuinkam, Cameroon)

60. It was ironic that the Member States which experienced the greatest difficulty in honouring their financial obligations to the Organization were those with relatively low rates of assessment. It was not surprising that the majority of the countries whose voting rights had been suspended pursuant to Article 19 of the Charter were African developing countries.

61. The deplorable financial situation of the Organization was made worse by unjustifiable expenditures, as exemplified by the issuance of notes verbales as official documents at the behest of Member States, which could simply issue press releases to make their views known. Clearly costs could be minimized if the number of documents requested was reduced and if meetings started on time.

62. The Secretary-General must take a closer look at the Secretariat and the Organization's priorities. A number of questionable expenditures had recently been incurred, including the repartitioning work in the United Nations garage. There was also evidence of waste and fraud. Greater transparency and accountability were needed.

63. He commended the work of the Independent Advisory Group. His delegation supported recommendations 1 and 2, relating to the division of United Nations expenditures into three categories and the consensus procedure for approving the regular budget. Recommendation 3, concerning payment of assessed dues on time and in full, however, did not address the root causes. Recommendations 4, 5 and 6, also concerning payment of contributions, and recommendation 8, concerning the level of the Working Capital Fund, were also based on the erroneous assumption that all Member States were able to pay. His delegation agreed with the Secretary-General's views on recommendation 7, regarding the borrowing of funds from peace-keeping accounts.

64. Mr. CHEN Jian (China) said that a sound and stable financial basis had a direct bearing on the Organization's ability to play its unique role in the maintenance of world peace and the promotion of economic development. The persistence of the financial crisis was most disturbing. All funds and budgetary surpluses had long been exhausted and payments to troop-contributing countries had been deferred again and again. Such a situation was clearly inappropriate in view of the increasingly important role of the Organization in world affairs. His delegation regretted the failure of the Secretary-General to submit the report on incentives to encourage Member States to pay their assessments in full and on time called for in General Assembly resolution 47/215. His delegation had also taken note of the report of the Independent Advisory Group on United Nations Financing.

65. The root cause of the Organization's financial difficulties lay in the failure of some Member States, in particular the major contributors, to pay their assessed contributions. Even though the situation had improved somewhat in recent weeks, his delegation fully agreed with the Secretary-General that no contingency measure could compensate for a failure by Member States to pay assessed contributions in full and on time. Increases in the Working Capital Fund and the Peace-keeping Reserve Fund would not provide a solution. In any event, an enlarged Working Capital Fund would soon be depleted. In essence, any proposal to increase existing funds or to create new ones to solve the current financial difficulties would mean shifting the consequences of arrears onto

(Mr. Chen Jian, China)

those Member States which had paid their assessed contributions, thus further increasing their financial burden. Moreover, as noted by the Advisory Committee, the use of commercial borrowing would simply result in additional costs and cause an even more serious financial crisis. Commercial borrowing should be contemplated only as a last resort and any additional costs incurred, such as interest payments, should not be shifted onto those Member States which had paid their assessed contributions.

66. His delegation agreed, in principle, to the charging of interest on delayed payments, but account must be taken of the difficulties of some developing countries and such technical factors as the financial practices of Member States. The 30-day limit for payment of assessed contributions should be studied further. His delegation took note of the ACABQ report on the administrative and budgetary aspects of the financing of United Nations peace-keeping operations (A/47/990) and the constructive ideas it put forward. Nevertheless it was not realistic to attempt to annualize the peace-keeping budget in the current circumstances.

67. Lastly, his delegation regretted the failure of the Advisory Committee to submit its comments to the Fifth Committee at the current session, in what was a departure from the normal procedure.

68. Mr. ABDELLAH (Tunisia), speaking on behalf of the Arab Maghreb Union, said that the financial situation remained uncertain and threatened the functioning of the Organization, including peace-keeping operations. Member States should be reminded of their Charter obligation to pay their assessed contributions in full and on time. The credibility and effectiveness of the United Nations were at stake and world public opinion would not accept the current financial situation as an excuse for the failure of the Organization to discharge its responsibilities.

69. His delegation commended those States which had honoured their obligations. The countries of the Arab Maghreb Union had always fulfilled their financial commitments.

70. The ongoing discussion of the financial situation must not become a permanent exercise or lead to a reduction in the resources needed for the implementation of economic and social programmes, especially for developing countries. There was a risk of weakening the foundations of multilateralism.

71. The various ideas put forward regarding the Organization's financing should be carefully considered, but there was no place for the mechanical application of cost-effectiveness, which would lead to a damaging winnowing of the Organization's activities.

72. His delegation supported the view of the Independent Advisory Group that the future credibility of the United Nations would depend in large measure on the effectiveness of its management, the quality of its staff and improvements in its structure and administration. Efforts to establish a more transparent and improved management structure must be brought to fruition.

(Mr. Abdellah, Tunisia)

73. Improved efficiency together with strict respect for financial obligations would provide the Organization with the financial basis necessary for it to carry out its activities. That could not be achieved through instalment payments or single assessments for peace-keeping operations. The obligations set forth in Article 17 of the Charter remained in effect.

74. Mr. HENG (Singapore) said that his delegation noted with regret the grim report (A/48/503) submitted by the Secretary-General on the precarious financial situation of the Organization. At a time when the United Nations was being called upon to undertake new leadership roles in international peace and security and in global economic, development and social issues, the persistence of financial problems was clearly unacceptable. Beyond mere Charter obligations, Member States had an interest in providing the resources needed to discharge the duties they entrusted to the United Nations. It was troubling that Member States wholeheartedly approved new activities while refusing to provide the financial means to implement them.

75. His delegation had reservations regarding some of the recommendations made by the Independent Advisory Group on United Nations Financing, but hoped that an outside report would provide a fresh perspective.

76. The fundamental problem was, as it had been for many years, the failure of Member States to pay their assessments in full and on time notwithstanding their binding legal obligation to do so. In that context the permanent members of the Security Council should set an example and make a special effort to pay.

77. It appeared, however, that the political will to address the problem existed. It was time for the United Nations to establish incentives to encourage payment, in particular by charging interest on arrears. Article 19 should also be interpreted more strictly to ensure the application of its provisions to Member States that fell behind in their contributions after two years, since the current interpretation allowed it to take effect only after three years.

78. The various proposals made by the Secretary-General to ameliorate the cash-flow situation were understandable. While his delegation was keen to ensure that the Organization was given the requisite resources, some of the proposals being aired were not advisable. For example, it was not appropriate to borrow commercially or to impose a levy on arms sales or international air travel. Such measures would not provide any guarantee that those Member States that did not pay would improve their performance, but would simply increase the burden on those Member States that took their obligations seriously.

79. Equally, any increase in the level of the Working Capital Fund would be a mere palliative unless the fundamental problem was tackled. That proposal, too, would mean that Member States which had paid would assume the burden of those Member States which were in arrears.

80. His delegation noted the advantages of a unified peace-keeping budget, including a more regular and stable assessment system. Nevertheless he could not support the use of such a budget as an expanded cash-flow mechanism to meet unexpected expenditures in peace-keeping activities. The Peace-keeping Reserve

(Mr. Heng, Singapore)

Fund had been created precisely for that purpose and time should be taken to assess its effectiveness. Regrettably, the Peace-keeping Reserve Fund had been exhausted as soon as it had been created, in view of which his delegation had reservations about changing the level of the Fund without first addressing the fundamental question of making Member States pay in full and on time.

81. His delegation supported the Independent Advisory Group's recommendation that the consensus procedure for approving the regular budget should be continued. It did not think, however, that the payment of contributions in quarterly instalments would alleviate the financial situation. On its own, that initiative would not improve the Organization's cash flow, and it was doubtful that it would induce Member States to pay their instalments in full and on time.

82. His delegation could not agree to the recommendation that the base period for the regular budget assessment scale should be shortened. The suggestion that per capita income should be used as the sole criterion for determining what countries should contribute for peace-keeping was also surprising. That criterion had a number of obvious defects, one of which was that it worked to the disadvantage of small States with small populations.

83. All Member States desired a United Nations that was both cost-effective and efficient. The Secretariat, for its part, must demonstrate efficient and effective control over the resources entrusted to it. There was reason to believe that it did not always do so. The problems of administration and management needed to be addressed urgently and a culture of performance, economy and accountability instilled throughout the Organization.

84. Mr. AKRAM (Pakistan) said that it was evident from the report of the Secretary-General (A/48/503) that the financial situation of the United Nations remained as grim as ever. In his "Agenda for Peace" the Secretary-General had put forward a number of proposals for remedying the situation and the report of the independent Advisory Group (A/48/460) contained 21 further recommendations. The three interrelated assumptions in paragraph 16 of the latter report constituted a valid basis for the discussion of ways to improve the financial situation.

85. The division of current United Nations expenditures into three categories, as outlined in the Independent Advisory Group's first recommendation, allowed for equitable sharing of the costs and permitted Member States to pursue their priorities. In regard to recommendation 2, it might be necessary to consider whether or not the consensus procedure sometimes prevented the Organization from securing the resources needed to fund approved programmes. Pakistan agreed fully with recommendation 3 that all countries should pay their assessed dues on time and in full. The current financial crisis would not have occurred if all Member States had done so. The payment of assessed contributions was a solemn treaty obligation and not discretionary. The United Nations was cost-effective, especially when compared with the alternatives to United Nations action in various fields, and deserved the full support of Member States.

86. On recommendation 4, Pakistan agreed with the Secretary-General that payment in quarterly instalments would be feasible only if the Organization was sure of having adequate cash reserves at all times of the year. It shared his

(Mr. Akram, Pakistan)

fear that, adopted in isolation, the recommendation might result in the collection of less money at the beginning of the year. Further, there was no guarantee that quarterly assessments would result in timely payments in full.

87. Recommendation 5, that interest should be charged on late payments, needed careful consideration. In view of the varying budgetary cycles of Member States, financial regulation 5.4 might need to be amended. Pakistan considered that interest might well be levied on arrears resulting from the non-payment of contributions for previous years. Recommendation 6, regarding earlier payment, would help to improve the financial situation. The internal borrowing mentioned in recommendation 7 was forced on the Organization by the shortfall in resources. Such flexibility was essential to ensure the Organization's continued operation.

88. Pakistan agreed in principle with recommendation 8, that the level of the Working Capital Fund should be raised from $100 million to $200 million. The Fund should correspond to two to three months' expenditure in order to ensure sufficient liquidity. Such an increase, however, should not be viewed as a substitute for the full payment of arrears. That would penalize Member States which had fulfilled their financial obligations.

89. The need to replenish depleted reserved, referred to in recommendation 9, could not be ignored, but the course proposed needed further elaboration. Pakistan concurred with recommendation 10, that the United Nations should not be given authority to borrow commercially. Interest would have to be paid on the borrowed amounts and Member States, including those which paid on time and in full, would have to bear additional expense.

90. Recommendation 11 dealt with the length of the base period used in determining the scale of assessments. The length of the base period was directly linked to the scheme of limits since both had been introduced to mitigate fluctuations between successive scales. The delicate balance maintained by the current methodology should not be disturbed.

91. His delegation would comment on recommendations 12 to 18, which dealt with the financing of peace-keeping operations, when the relevant agenda item was taken up.

92. Pakistan was in agreement with recommendation 20 on voluntary funding. Voluntarily funded agencies should seek a larger portion of their funds through multi-year, negotiated pledges. The principle of voluntary funding must be retained in order to ensure the neutral and non-political nature of the activities of United Nations agencies. Assessed contributions for administrative expenditures would run counter to that principle. The voluntary principle was particularly essential in respect of contributions from developing countries.

93. Recommendation 21, on additional financing for the future, seemed premature. Pakistan believed that the financing of United Nations activities should rely on payments by Member States, not funds raised from non-governmental sources. It would be acceptable if Member States themselves were to raise such

(Mr. Akram, Pakistan)

funds and channel them to the United Nations through their respective Governments.

94. Despite its financial constraints, Pakistan had consistently met its financial obligations to the regular budget. It made every effort to pay its contributions, to both the regular budget and peace-keeping operations, in full and on time. It hoped to be able to pay all outstanding sums for peace-keeping operations by the end of 1993. He noted, however, that the amount of reimbursements due to Pakistan for peace-keeping operations was larger than the amount it was required to pay.

95. Mr. VARELA (Chile), speaking on behalf of the Latin American countries members of the Rio Group, said that the large number of countries in substantial arrears in the discharge of their financial obligations was alarming. Some of them were prevented from paying by the deterioration in their economic and financial situation. Thus there was a need to create conditions that would enable them to grow and develop. There might, however, be other reasons why States did not discharge their obligations. Such reasons should be looked into when making an overall analysis of the situation.

96. In the new climate of international political relations, consensus existed on the role that the United Nations should play, in accordance with the purposes of the Charter, and analysis should focus, therefore, on how to obtain the means to attain those purposes more effectively. To that end, the Organization must be given greater credibility, by making the allocation of resources and the control of their management more transparent, thus ensuring adequate financing for the activities approved by the General Assembly and the Security Council. Budgetary control, and an accounting system based on the principle of responsibility, would also serve to enhance the Organization's credibility.

97. Obviously, the payment of financial obligations on time and in full was the only way to solve the persistent financial crisis definitively. Various other proposals had, however, been made, in particular by the Independent Advisory Group. The proposal to charge interest on arrears seemed necessary in the current circumstances in order to provide an incentive. However, interest should be applied only to future debts and States currently in arrears should be given an opportunity to pay their debts without interest. After that, interest should be charged on debts left outstanding for more than a year. The application of that system to debts for peace-keeping operations, however, should be studied very carefully. Given the unforeseeability of such operations, it was difficult for Member States to comply with the regulation that payment should be made within 30 days. The Secretariat's capacity to plan for and implement the mandates assigned to it by the Security Council should be strengthened. It should prepare budget estimates reflecting the true needs of peace-keeping operations in timely fashion for submission to the General Assembly.

98. The functioning of peace-keeping operations was closely linked to their financing. Numerous General Assembly resolutions had recognized the need to use a different procedure from the regular budget in order to finance peace-keeping operations, based on the special responsibility of the permanent members of the Security Council and on the fact that the economically more developed countries

(Mr. Varela, Chile)

were in a position to make larger contributions than the less developed. The situation had not changed sufficiently to alter those criteria. The system that the General Assembly had been applying since 1973 should be institutionalized.

99. In the current climate of widespread failure to meet financial obligations, it would not be appropriate to establish special funds. Unless there was a firm commitment to pay on time and in full, the proposal for quarterly payments would create more problems than it would solve by making financial management more complex. The practice of borrowing between the various funds could perhaps meet needs as they arose but should not become permanent.

100. Each of the proposals of the Independent Advisory Group had its merits and there should be an in-depth discussion of the interrelationships between them and their effects on the system. A high-level open-ended working group of the Fifth Committee should therefore be convened for that purpose.

101. Ms. SAEKI (Japan) said that two distinct but interrelated problems must be borne in mind when considering the Organization's financial difficulties: the shortage of cash caused by failure to pay assessed contributions in full and on time, and problems of cash management. Failure to pay was, of course, the more basic issue. Even if financial reserves were adequate and budgetary accountability and efficiency impeccable, it would be impossible to compensate for it. Arrears also hampered efforts to enhance administrative efficiency, although they should not be used as an excuse for the lack of budgetary discipline or to give the Administration a free hand with the Organization's finances. Further efforts should be made to improve cash management so that limited resources could be used more effectively and financial discipline should be improved to inspire confidence in the Member States.

102. The report of the Secretary-General (A/48/503) illustrated the critical financial situation of both the regular and peace-keeping budgets. Almost one third of the membership had made no payment at all to the regular budget by the end of September 1993. Certain information, however, was missing from the report. Problems were inherent in the financing of peace-keeping, especially in the start-up phase. It was in response to those difficulties that the General Assembly had established the Peace-keeping Reserve Fund, taking special care not to penalize those countries which honoured their obligations. However, the major cause of delay in the budgetary process was delay by the Secretariat in the preparation of budget documents. Various recommendations had been made by the General Assembly, ACABQ and other bodies to enhance the capacity of the Secretariat and shorten the process, but most of them had not yet been implemented.

103. Another point on which no information had been provided was the level of reserves available to the Organization. Paragraph 31 and the table following it related only to the Working Capital Fund, but the Special Account, which was actually larger, must be taken into consideration in order to have an overall picture of the reserves and the way in which they compared to the level of the regular budget. The Working Capital Fund, the Special Account and the Peace-keeping Reserve Fund combined totalled just under $400 million, which, if it were available as cash in hand, would finance more than one month's total expenditures under both the regular and peace-keeping budgets. Her delegation

(Ms. Saeki, Japan)

therefore saw no need to increase the overall level of reserves. The Secretariat's most urgent task was to achieve the original level of the Peace-keeping Reserve established by the General Assembly at the earliest possible date, and Member States must pay their arrears to the regular budget quickly.

104. Her delegation would be willing to consider measures to facilitate the payments of Member States, for example, by letting them know the amount of their obligation before assessment letters were sent out. It would also prefer to discuss a system of payment incentives before considering possible penalties. Her delegation looked forward with interest to the submission of the report on financial and budgetary practices and possible systems of incentives mentioned in paragraph 6 of document A/48/503.

105. In paragraph 15 of resolution 47/215 A, the General Assembly had requested the Secretary-General to take steps to strengthen the central management of all cash available within the Organization. The increase in the number and scope of peace-keeping operations made it essential to ensure better cash management at the field level and at Headquarters. Contingency measures were also important in that regard. Her delegation would appreciate additional information on the Organization's cash management practices.

106. Turning to the report by the Independent Advisory Group (A/48/460) and the related comments by the Secretary-General (A/48/565), she expressed disappointment that both had been made available so late. Since the recommendations merited careful and thorough review by the General Assembly and the Fifth Committee had to give priority to the proposed programme budget, the matter would have to be deferred to the resumed session. Moreover, for a thorough review, it would be essential to have the report of ACABQ.

107. Her delegation supported the recommendation that the United Nations should not be given authority to borrow on a commercial basis, as that would place an additional burden of interest payments on Member States and would weaken budgetary discipline. It doubted whether Member States which fulfilled their obligations would accept additional charges in order to compensate for the delinquency of other Member States. Her delegation had noted with interest the recommendation to consider a unified peace-keeping budget. If it implied a weakening of budgetary discipline, it would be unacceptable. However, some expenses, such as those for training and stockpiling, might be common to all peace-keeping operations and economies of scale might be possible. Efforts should also be made to improve and simplify the process of preparing the budget, for example, by standardizing costs. The Secretariat should be asked to submit the comprehensive report on all issues affecting the successful operation and administration of peace-keeping operations referred to in resolution 47/218 as soon as possible. Her delegation could not support the recommendation to permit the Secretary-General to obligate up to 20 per cent of the initial estimated cost of a peace-keeping operation once it had been approved by the Security Council. The Secretary-General's suggestion that Member States should be assessed in an amount of up to one third of the estimated cost was also unacceptable. Such measures were inconsistent with the division of responsibility between the General Assembly, the Security Council and the Secretary-General. Instead, the Secretariat should improve efficiency, for example, by submitting estimates to Member States as early as possible, properly

(Ms. Saeki, Japan)

utilizing existing reserves and commitment authorities, and further encouraging Member States to honour their obligations. In that context, it might be possible to consider increasing the level of the commitment authority accorded to the Secretary-General, with the prior concurrence of ACABQ, to meet the financial requirements of the initial phase of peace-keeping operations. Such an increase could be considered only if authority was given on a case-by-case basis and if adequate reserves, including the Peace-keeping Reserve Fund at its initial level, were at the Secretary-General's disposal to finance such commitments.

The meeting was called to order at 6.30 p.m.